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24 January 1952

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TO THE DAILY DIGEST

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CENTRAL INTELLIGENCE AGENCY

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SECTION 2 (EASTERN)

EGYPT. Egyptian officials desire US aid in solving Anglo-Egyptian dispute: The Egyptian Ambassador in Washington has expressed his belief that a solution of the Anglo-Egyptian crisis is possible if the "neutral and respected" United States plays a leading role and if face-saving formulas are found for Britain and Egypt. The Ambassador suggested that Britain might guarantee that it would evacuate its troops within a certain time and that Egypt might then declare its readiness to discuss the Western defense proposals.

The Lebanese UN delegate, Charles Malik, has also expressed his belief that the US should "step in and take an active part" in solving the Anglo-Egyptian crisis. According to Malik, the Egyptian Foreign Minister has indicated that he or the Prime Minister may come to Washington for the purpose of finding a way out of the current impasse. (S S/S to London 3460, 22 Jan; S S/S Paris 1135, 21 Jan 52)

Comment: These two expressions of interest in American mediation efforts indicate that the Wafd government is anxious to find a compromise solution to the present crisis despite the intransigent attitude expressed by Egyptian officials in public.

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SECURITY INFORMATION

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**DAILY DIGEST**

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SECURITY INFORMATION

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SECTION 1 (SOVIET)

1. CZECHOSLOVAKIA. Ex-Minister of Labor and Social Welfare reported under arrest: Evzen Erban, former Minister of Labor and Social Welfare, was arrested about 15 December, [REDACTED]

25X1C

[REDACTED] Erban was "known to be doing forced manual labor." [REDACTED]

25X1C

25X1A

Comment: Erban, who was not a Communist Party member, was summarily removed from his government post on 6 September during the government and party reorganization when Slansky was also demoted. Prior to 1948 Erban was an active left-wing Social Democrat and a power in the Trade Union movement.

2. FINLAND. Poles accede to Finnish views in trade negotiations: During negotiations for a 1952 trade agreement with Finland, Poland, which had at first adopted its typically intransigent position on coal deliveries, altered its stand with the result that the Finns obtained a very favorable agreement. At one point during the negotiations, Poland demanded 3,000 tons of copper and copper products from Finland in exchange for 400,000 tons of coal. The Finns, though in desperate need of the Polish coal, courageously turned down the Poles and broke off the talks. However, final agreement was reached whereby Finland will supply Poland 1,350 tons of copper and copper products in exchange for one million tons of coal.

The US Embassy in Warsaw commented that the Polish reversal was probably brought about because of Soviet policy towards Finland, i.e., the USSR is primarily interested in keeping Finnish trade to a maximum degree within the Soviet Orbit. (C Warsaw Desp #237, 28 Dec 51)

Comment: Poland, in its negotiations during the past year with other non-Communist countries, has consistently and successfully used its capability to supply coal as a means of obtaining strategic commodities from the West. In addition to the cogent reason advanced by the Embassy, it seems possible that Poland really needed the copper.

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SECTION 2 (EASTERN)

1.

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Although in control of a government which is fighting Communist insurgents, the Burma Socialists consider themselves to be a Marxist-Leninist party. Their neutral foreign policy is largely based upon a desire to avoid antagonizing Communist China.

25X1C

2.

25X1C

Premier reported prepared to oust Defense Minister:

Premier Thakin Nu has given in to the demands of Commander in Chief Ne Win and has promised to oust Defense Minister U Win, who is also the Home Minister. This action is the result of a leak to Ne Win of an alleged agreement between U Win and Thakin Nu to demote Ne Win from Commander in Chief to Chief of Staff of the Army.

25X1A

Comment: U Win is one of the more conservative members of the Burmese Cabinet and has been friendly toward the West. A natural rivalry has developed between U Win and the opportunistic Ne Win because of their common concern with military matters. This is the first report, however, that the removal of one or the other is imminent.

3.

Cabinet continues undecided on US aid: The Burmese Attorney General informed the US Embassy in Rangoon that the provisions of the Battle Act were the obstacle to Burmese acceptance of US aid. The Burmese official stated that he thought the provisions were inconsistent with Burma's neutral foreign policy and referred to a growing feeling that further American requirements would follow if the terms of the Act were accepted. He also reiterated Burma's fear of antagonizing Communist China. (C Rangoon 175, 22 Jan 52)

Comment: The deadline for renegotiation of US aid agreements to meet the requirements of MSA expired two weeks ago. Meanwhile, leftist propaganda against American aid has become increasingly shrill and has been successful in confusing the issue in the Burmese press.

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4. News story increases threat to MSA program: The US Embassy in Rangoon has been reliably informed that the BBC repeated a story apparently reported by a correspondent of the London Observer that a fresh Chinese Nationalist battalion had been flown into Burma with American support. The Embassy believes that the story will be given a "big play" by the Burmese press and will strengthen the opponents of US assistance by giving credibility to their misrepresentation of the statutory requirements of the Mutual Security Act. (C Rangoon 716, 22 Jan 52)

Comment: This development follows close upon the heels of intensified leftist demonstrations against the US, at a time when the Burmese Cabinet is studying the problem of whether to accept US aid under the terms of the MSA.

5. INDOCHINA. Chinese Communists concentrate forces near Indochina pass: French intelligence in Hanoi accepts as confirmed the presence of 60,000 Chinese Communist regulars in the region between Nanning and Pingsiang, the best pass into Indochina. The US Consul comments that, if this report is true, the "picture is not good," since a force of this size in such a small area appears unnecessary for local security control. (S Hanoi 492, 21 Jan 52)

Comment: Numerous reports indicating a build-up of Chinese Communist forces in the border area as a whole have not been confirmed. However,

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It is possible that deployment of Chinese Communist troops is designed to divert the attention of the French or to cause enough displacement of French forces to benefit the Viet Minh without actually involving China in hostilities.

6. Viet Minh capabilities greatly increased: A French official told the American Consul in Hanoi that despite De Lattre's strategy and increased American aid, the situation in Tonkin is "more grim" than a year ago. The Viet Minh army is now a far more efficient force, is receiving far more Chinese logistic support, and despite heavy casualties, appears to have "inexhaustible" manpower reserves. The Consul comments that a feeling of futility seems to be spreading among the French. (S Hanoi 492, 21 Jan 52)

Comment: When De Lattre arrived in Indochina a year ago the French were in grave danger of being driven out of Tonkin.

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In the past, reserve manpower has been the greatest problem of the Viet Minh military effort. Viet Minh infiltration of the Tonkin delta during recent months has provided it with access to a manpower reservoir which it has evidently been exploiting with great success.

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[REDACTED] said the French command was "preoccupied" with the ability of the Viet Minh to maintain pressure against the French defenses in the delta over such a prolonged period.

7. CHINA/INDIA: Tibetans reported encroaching on Indian frontier area: Tibetan officials from western Tibet are coming into Garhwal and Almora, Indian frontier areas northeast of Delhi, to obtain "tribute" from Tibetans, according to Indian news reports. In addition, Chinese Communists in western Tibet are said to have started a campaign for the return to Tibet of Badrinath shrine in northern Garhwal. Indian papers say that such claims to Badrinath are made on the basis that the shrine was once administered by Toling monastery in western Tibet. India, though disturbed over Tibetan encroachments, has not protested lest Tibet be offended. New Delhi sources say that the Indian Government has received no communication from Peiping or elsewhere laying claim to Badrinath. (S New Delhi 2459, 11 Jan; FBIS Ticker, 17 Jan 52)

Comment: Accumulating evidence indicates a Communist tendency to expand from Tibet at the expense of border areas within the Indian sphere. These areas are vulnerable on many counts: the Tibetan international border is undefined; along this border lies a strip of territory, about 20 to 60 miles wide, largely inhabited by Tibetans or closely related peoples but administered severally by India, Nepal, Sikkim, and Bhutan; the Tibetans affected opposed the Indian takeover from the British. Garhwal and Almora include part of this ethnically Tibetan belt.

For 40 years there have been recurrent disputes over the Indo-Tibetan western frontier. Probably in the past the inhabitants paid taxes to whichever side could collect, sometimes even to both sides at once. This background suggests that the Chinese Communists in western Tibet, by fanning latent Tibetan irredentism, may be able to subvert Indian rule in the frontier areas of Almora and Garhwal, and perhaps also in Tehri Garhwal, Bashahr, and Kashmir to the north.

8. KOREA. North Koreans called upon to revive and expand animal husbandry: Plans to revive and expand North Korea's animal husbandry in 1952 were presented by Vice Prime Minister Pak in a Pyongyang conference called by the Ministry of Agriculture and Forestry. After asking for a large increase in the number of livestock for the coming year, the Communist official

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stated that North Korea has during the war lost 300,000 head of cattle, 700,000 pigs, 3,000,000 domestic fowls, and several thousand horses. (U FBIS Ticker, 20 Jan 52)

Comment: In 1950, North Korea planned to attain a livestock population of 972,000 head of cattle, 788,000 pigs, several million domestic fowl, and 13,000 horses.

The above figures and the losses announced by Pak point up the considerable depletion of the numbers of domestic livestock in North Korea. The swine and fowl losses appear somewhat exaggerated.

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SECTION 3 (WESTERN)

1. GENERAL. Large antibiotic transshipments made through Switzerland: Approximately 7,500 metric tons of streptomycin were transshipped to Prague through a Swiss firm during 1951, according to the British Consul in Basel. About 20 percent of this quantity reportedly came to Switzerland through Israel. The Consul states that the shipments were sent to Prague via Swissair and KLM. (S Basel Desp. 38, 10 Dec 51)

Comment: It is improbable that such a large amount of streptomycin was shipped by air through Switzerland during the past year. During the past three years, the Soviet bloc has been getting large quantities of antibiotics from such widely separated points as the US, the UK, Denmark, Australia, Italy, and Macao. Switzerland, Hongkong, and Israel have been frequently used as transshipment points. The Soviet bloc's success in procuring antibiotics is underscored in part by the capture by UN forces in Korea of antibiotics manufactured in America.

The US is severely restricting the shipment of antibiotics to the Soviet bloc and has tried to prevent transshipment through third countries by spot end-use checks of exports. The unwillingness of other Western nations to follow suit, together with appeals on humanitarian grounds by the International Red Cross for the shipment of antibiotics to Communist countries, has enabled the Soviet Orbit to evade US controls.

2. GERMANY. West German public opinion is increasingly favorable toward the US: Recent opinion surveys show that West German attitudes toward the US improved markedly during 1951. Three polls during the past year based on the question: "What is more important: a good understanding with the Americans, with the Russians, or a neutral position between the two?" showed that the percentage of those interviewed who favored a pro-American position increased from 39 to 49 percent, while those favoring the neutralist position dropped from 48 to 42 percent and the pro-Soviet group remained around one percent. (U Duesseldorf Desp. 329, 12 Dec 51)

Comment: This change goes far to dispel a prevailing belief in many quarters that some extreme rightist parties which espouse neutrality have broadened their support during the past year. These polls would indicate that the increased strength of these parties arises from factors other than their neutrality planks. The poll also suggests that Adenauer's policy of supporting Western integration will probably meet with increased public approval.

3. EAST GERMANY. Measures against Socialist Party in East Berlin may not be carried out: The East Berlin government has cancelled the leases on office

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space occupied by the West German Socialist Party (SPD) in East Berlin and turned down requests for allocations of other office space. A Socialist Unity (Communist) Party functionary, however, who had been reprimanded by a district mayor for the eviction action, has given the East Berlin SPD Chairman the impression that the eviction notices will be revoked. An article in Neues Deutschland, the official SED paper, emphasized the possibility of appeal. (R Berlin unnumbered, 12 Jan 52; C Berlin 490, 19 Jan 52)

Comment: Both the SPD and the SED have been permitted to function in all sectors of Berlin under a four-power agreement of 1946.

Possible retaliatory action by West Berlin could close twelve SED offices and interfere with many other Communist front activities in West Berlin, whereas only eight SPD offices in East Berlin would suffer. The SED may have threatened the evictions in hopes of pressuring the SPD into cooperation on the unity issue. Such a clumsy effort, however, would gravely impugn the sincerity of the Communist propaganda on unity, a reaction that may have been belatedly appreciated by higher Communist officials.

4. FRANCE-TUNISIA. French forces capable of keeping Tunisian disorders at minimum: The superior force of French arms is capable of keeping Tunisian disorders at a minimum, even though the troops did have difficulty in quelling the riot at Sousse on 22 January. Tunisian efforts have, however, been at least somewhat successful, inasmuch as France now appears more amenable toward requests for more native responsibility in the Tunisian government.

The new French Government may have made some commitment to secure the support of the Socialists who have long advocated a more lenient policy toward the North African protectorates. Discussions regarding reform measures are expected when the situation has calmed. Despite the fact that Tunisian Communist as well as nationalist leaders have been taken into custody and despite Communist participation in the demonstrations, there is no evidence to support French contentions of nationalist-Communist co-operation. (Factual data from: NY Times, 23 Jan 52; S Paris 4338, 21 Jan 52)

5. AUSTRIA. Vienna about to conclude trade pact with Czechoslovakia: An Austrian delegation left for Prague on 21 January to conclude a trade agreement under which Austria will deliver ball bearings, steel, iron, aluminum, electric furnaces, and cranes to Czechoslovakia, which has dropped its demands for special alloy steels.

The cranes involved are manufactured by the Soviet enterprises in Austria; were they not included in the trade agreement, the Czechs could

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get them anyway. The shipment of semi-fabricated aluminum is tied to the import of 70,000 tons of coke dust from Czechoslovakia. The Austrian Foreign Office says that the electric furnaces are to fill orders placed for normal types in 1950; [REDACTED] five of the furnaces were ordered from Siemens-Halske just last November. 25X1C

The US Embassy in Vienna, while agreeing that Austria is paying too much in strategic shipments, believes that the only solution is for the US to replace Poland and Czechoslovakia as a source of coal for Austria, and to finance the trade deficit with which Austria would be faced if it stopped all trade with the two Satellites. (S Vienna 2377, 21 Jan 52; [REDACTED] 25X1A

25X1A

6. UNITED KINGDOM. [REDACTED]

25X6

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DOS

[REDACTED] wrote Foreign Secretary Eden criticizing the Foreign Office view that the USSR had not been seriously affected by East-West trade restrictions and that the Soviet campaign last summer to expand East-West trade was primarily a propaganda move. The Ambassador argues that, on the contrary, the USSR fears a complete blockade and is anxious to increase trade with the West primarily because of economic need. He contends that the Soviet capital development program, increasing Soviet rearmament, and now the industrialization of Communist China call for a scale of Soviet Orbit production which cannot be met without help through external trade. (S Moscow 353, 27 Nov 51) 25X6

Comment: This is the first indication of a change in British thinking on East-West trade controls. There has been no evidence that the present British Government has modified the Foreign Office view that trade with the Soviet Orbit is necessary to the British economy.

7. SCANDINAVIA. Government opinion divided on location of NATO headquarters: In the projected reorganization of NATO agencies, Norway favors centralizing in Paris as a practical measure which, among other things, would facilitate coordination of NATO and OEEC policy. Danish military and economic officials prefer locating the headquarters in Paris in order to be close to SHAPE and OEEC, but political leaders fear that a Paris location might be detrimental to British prestige. The Danish delegate is authorized, however, to accept Paris as the NATO headquarters if strong support for that city is apparent among the other council delegates. Iceland is indifferent and will accept either London or Paris. (S Oslo 646, 22 Jan 52; S Copenhagen 529, 22 Jan 52; S London DEPTO 855, 22 Jan 52)

8. DENMARK. Government desires to build schooners for USSR: Denmark has requested COCOM to approve a contract for the construction of eight seal-

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hunting schooners for the USSR. Denmark would not receive in return any goods essential to its economy, but would reduce its debt for past deliveries of such goods. The Danes assert that the vessels are not suitable for mine laying, mine sweeping, or escort purposes. (S Paris 4292, 19 Jan 52)

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